

Message Text

CONFIDENTIAL

PAGE 01 LIMA 04796 131946Z

67

ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 INT-05 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /095 W

----- 035352

R 131742Z JUN 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5509

C O N F I D E N T I A L LIMA 4796

EO 11652: GDS

TAGS: ELAB, PE

SUBJECT: LABOR AND GOP WAGE/PRICE DELIBERATIONS

REF: LIMA 4658

1. THE GOP IS FACED WITH A SERIES OF DIFFICULT NEGOTIATIONS AS WORKERS ATTEMPT TO RECOVER PURCHASING POWER LOST THROUGH INCREASING INFLATION. TEN THOUSAND UNIVERSITY WORKERS ARE INTO THE THIRD WEEK OF THEIR STRIKE WHICH HAS PARALYZED ACTIVITIES OF MOST PERUVIAN UNIVERSITIES. FIFTEEN THOUSAND ELECTRIC WORKERS HAVE THREATENED TO GO OUT ON STRIKE ON JUNE 16 IF DEMANDS ARE NOT MET. THE DISRUPTIVE POTENTIAL OF SUCH A STRIKE IS EVIDENT.

2. ALSO ON JUNE 11 SOCIAL SECURITY WORKERS WALKED OUT AND, ALTHOUGH THEY PROMISED THAT EMERGENCY MEDICAL CARE WOULD BE PROVIDED IN SOCIAL SECURITY HOSPITALS, THE SITUATION IS TENSE AND POLICE ARE IN EVIDENCE AT SOCIAL SECURITY INSTALLATIONS, OSTENSIBLY TO INSURE THAT NON-STRIKING WORKERS MAY ENTER THE WORK PLACE WITHOUT INCIDENT.

3. SOCIAL SECURITY AUTHORITIES HAVE DECLARED STRIKE ILLEGAL AND HAVE WARNED WORKERS THAT THEY WILL BE SUBJECT TO LEGAL SANCTIONS UNLESS THEY RETURN TO WORK.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 04796 131946Z

4. ALTHOUGH SEVERAL MAJOR CONTRACTS WERE SETTLED EARLIER THIS YEAR AT CONSIDERABLE COST, MORE RECENTLY THE GOP HAS PREFERRED TO LET NEGOTIATIONS AND EVEN STRIKE DRAG ON WITHOUT SETTLEMENT. CLOSE OBSERVERS OF THE LABOR SCENE TELL EMBASSY THAT GOP STRATEGY IS TO STALL UNTIL A GENERAL WAGE/PRICE POLICY IS EFFECTED.

5. WAGE AND PRICE DECISIONS ARE IMMINENT AND ACKNOWLEDGED BY GOP. IN ADDITION TO PRIME MINISTER MORALES -BERMUDEZ' RECENT STATEMENTS ON ELIMINATION OF CERTAIN SUBSIDIES AND ON GENERAL INCOME ADJUSTMENTS (SEE REFTEL) THERE ARE OTHER INDICATORS THAT A DECISION IS NEAR. EDUCATION MINISTER MARANDA AMPUERO, FOR EXAMPLE, TOLD UNIVERSITY WORKERS THIS WEEK THAT HE WOULD NOT DISCUSS THEIR CONTRACT DEMANDS BECAUSE THEY WOULD SOON BENEFIT FROM A GENERAL WAGE INCREASE. A FINANCE MINISTRY OFFICIAL ALSO TOLD US DECISIONS ARE NOW AT THE CABINET LEVEL FOR CONSIDERATION AND WE SURMISE WERE DISCUSSED, IF NOT DECIDED UPON, LAST TUESDAY (JUNE 10).

6. THE COMPOSITION OF THE FINAL ECONOMIC PACKAGE IS NOT CERTAIN. ON THE WAGE SIDE SOME SOURCES TALK OF A MAXIMUM 1,000 SOLES (APPROXIMATELY \$23 AT 43.38 SOLES TO THE DOLLAR) MONTHLY INCREASE WITH THOSE AT THE LOW END OF THE ECONOMIC SCALE RECEIVING PROPORTIONATELY MORE. OTHERS SAY THERE WILL BE A PERCENTAGE INCREASE IN WAGES OF FROM 40-50 PERCENT FOR THOSE MAKING A MINIMUM 3-4,000 SOLES MONTHLY DOWN TO 15 PERCENT OR SO FOR THOSE EARNING 15,000 SOLES PER MONTH. ALL THOSE EARNING MORE THAN 15,000 SOLES PER MONTH WOULD RECEIVE A MAXIMUM 2,000 SOLES INCREASE.

7. CONCOMITANT WITH GENERAL WAGE INCREASE, CERTAIN PRICE ADJUSTMENT ARE EXPECTED, MOST NOTABLY ON GASOLINE, WHICH GENERAL MENESES HAS SAID WILL OCCUR PRIOR TO JULY 28. ALLEGEDLY, WAGES WOULD THEN BE FROZEN FOR AT LEAST A 12 MONTH PERIOD. THE GOP WOULD THEREBY HOPE TO AVOID UPCOMING NEGOTIATIONS WITH MINERS AND TEACHERS. WHILE GOVERNMENT-DOMINATED CTRP AND POSSIBLY THE APRA/CTP UNIONS MIGHT GO ALONG WITH THESE MEASURES, THE RESPONSE FROM FAR LEFT TEACHERS AND MINE WORKER LEADERS IS LIKELY TO BE NEGATIVE. THE GOP MAY HOPE THAT OVERALL PUBLIC SUPPORT FOR OR AT LEAST PASSIVE ACCEPTANCE OF ITS WAGE AND PRICE POLICIES WILL WORK AGAINST THOSE PARTICULAR INTEREST GROUPS.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 04796 131946Z

8. THUS, WHILE THE EXACT FORM OF THE WAGE PACKET IS NOT YET CLEAR, THE GOP IS COMING UNDER INCREASING PRESSURE TO ANNOUNCE ITS WAGE POLICY AS SOON AS POSSIBLE, TO FORESTALL STRIKES, IN THE FIRST INSTANCE, AS WELL AS TO REDUCE SUBSIDIES AND MAKE HEADWAY AGAINST INFLATION.
DEAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, COLLECTIVE BARGAINING, UNION GOVERNMENT RELATIONS, LABOR STRIKES, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA04796
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750207-0652
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750653/aaaabwbt.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 LIMA 4658
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2003 by CunninFX>; APPROVED <20 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LABOR AND GOP WAGE/PRICE DELIBERATIONS
TAGS: ELAB, PE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006